

**BOARD OF TRUSTEES
MONTGOMERY COUNTY CONSOLIDATED RETIREE HEALTH BENEFITS TRUST**

MINUTES – OPEN SESSION

January 27, 2012

101 Monroe Street, 9th floor
Rockville, Maryland

Board Members Present: Kelda Simpson
Sunil Pandya
Jeff Sharpe
George Willie (via telephone)
Joseph Beach
Meg Menke
Lodge Gillespie
Steve Farber
Ken Muir
Charles Overly
Jon Grabel
Cathy Jones
Bill Talbot
Marshall Moore

Staff: Linda Herman
Marc Esen
Brad Stelzer
Stuart Potter
John Feketekuty

Others Present: Amy Moskowitz, Counsel to the Board

CALL TO ORDER

Mr. Grabel called the open session of the Board meeting to at 8:30 a.m.

DETERMINATION OF MEETING

The Board unanimously approved a motion to move into closed session at 8:31 a.m. for the purpose of discussing the investment of public funds, pursuant to Maryland Code, State Government Article, 10-508(a)(5).

Mr. Grabel called the open session of the Board to order at 9:08 a.m.

Approval of Minutes: Mr. Muir moved and Mr. Overly seconded, and the Board unanimously approved the minutes of the November 18 meeting.

Asset Allocation and Portfolio Construction:

Mr. Stelzer and Mr. Feketekuty provided background on how the CRHBT's present asset allocation was derived. They then gave an overview of the asset allocation process and discussed the quantitative and qualitative inputs to be utilized in arriving at the recommended portfolio. The concept of asset allocation constraints was also discussed, as were several implementation considerations.

After discussion, Mr. Farber moved and Mr. Sharpe seconded, and the Board unanimously approved the following resolution:

1201-01 Resolved, That the Board approves the use of Wilshire's 2012 Capital Market Assumptions and Staff's development of the appropriate optimizer constraints to facilitate the recommendations on asset allocation to be discussed at the March meeting.

Performance Update: Staff provided the Board with an overview of the financial markets as of December 31, 2011. Mr. Esen provided commentary of for the public equity markets. U.S. equities were positive due to the better than expected economic data while international equities, both developed and emerging markets, declined on fears over the European debt crisis and a slowing economy in China. Mr. Potter discussed the fixed income markets noting that the decline in Treasury yields and tightening of credit spreads tightening resulted in strong performance for high yield bonds. Mr. Stelzer noted that REITs ended the year strongly, in line with improving commercial property fundamentals.

Budget Review: Ms. Herman presented the annual budget for the Trust fund. She noted that the actual FY 11 expenses related to investment management fees were 13% lower than the approved budget due to the change in funding and that administrative costs were 20.5% lower due to the delay in filling a vacant position. The FY12 actual expenditure is projected to be 4.7% lower than the approved budget. The FY 13 requested budget is projected to increase by 15.9% over the approved FY 12 budget amount due to salary costs and due diligence expenses allocated to the Trust for pursuit of active managers. After discussion, Mr. Farber moved and Mr. Moore seconded, and the Board unanimously approved the following resolution:

1201-02 Resolved, That the Board approves the Board-related expenses associated with the Trust as presented for FY12 and FY13, to be updated for salary and benefit changes as supplied by the Office of Management and Budget.

Ethics Disclosure: Ms. Herman requested that all members complete their annual ethics disclosure for the year ended December 31, 2011.

Workplan: Ms. Herman discussed the Board's workplan for the coming months.

There being no further business of the Board, the open meeting session was adjourned at 9:40a.m.

Respectfully submitted,

Cathy Jones, Secretary